

Message Text

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PAGE 01 STATE 062050
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INFO OCT-01 NEA-10 ISO-00 COME-00 EB-08 SS-15 L-03
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DRAFTED BY TREAS: DKHARBINSON:CL
APPROVED BY NEA/ARP:JWTW;NAM
TREASURY: LWBOWDEN
TREASURY: BPOUNDS
COMMERCE: PEDMUNDS
COMMERCE: JHEARN
EB/OCA/CD:WRAU

-----059475 101856Z /50

O 101811Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA IMMEDIATE

UNCLAS STATE 062050

E.O. 11652: N/A

TAGS: EAID, BENC, SA

SUBJECT: CONSTRUCTION CONTRACTING

1. WE FEEL STRONGLY THAT IT WOULD CLEARLY BE BETTER FOR THE SAG AGENCY SPONSORING A PROJECT, RATHER THAN A USG AGENCY, TO SIGN THE CONTRACT WITH THE CONSTRUCTOR EVEN THOUGH THE JOINT COMMISSION OR ITS A&E CONTRACTOR IS RESPONSIBLE FOR THE MAJOR PORTION OF THE CONSTRUCTION SUPERVISION AND ADMINISTRATIVE HANDLING. THE REASONS FOR THIS ARE:

A. THE SAG AGENCY, AS BENEFICIAL OWNER, IS THE ONE THAT ULTIMATELY MUST BE SATISFIED WITH THE CONSTRUCTION. ITS INTERESTS ARE BEST SERVED, THEREFORE, BY BEING A PARTY
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TO THE CONTRACT WITH THE LEGAL RIGHTS OF A DIRECT PARTICIPANT. (WE EXPECT THAT THIS APPROACH WILL BE USED BY MLSA, SWCC AND ELECTRICO WITH FEW COMPLICATIONS.)

B. THE PARTICIPATION OF THE SAG AGENCY AS A PARTY TO THE CONTRACT WOULD SERVE

TO FOCUS THAT AGENCY ON ITS OWN RESPONSIBILITIES IN THE CONSTRUCTION PROCESS. FOR EXAMPLE, (1) LOGISTIC SUPPORT FOR THE CONSTRUCTOR IN SUCH MATTERS AS, ASSURING ACCESS TO PUBLIC UTILITIES AND IN OBTAINING CERTAIN FACILITIES NECESSARY FOR THE CONSTRUCTION SITE; (2) AUTHORITY NECESSARY TO FACILITATE THE REMOVAL OF PHYSICAL IMPEDIMENTS, AND TO COORDINATE WITH OTHER SAG AGENCIES; (3) TIMELY APPROVAL OF CONSTRUCTION ACTIVITIES OR CHANGE ORDERS. (IT IS SIGNIFICANT THAT A CONSIDERABLE NUMBER OF THE PROBLEMS WITH THE NASSERIAH, RIYADH ESTATES AND ABHA GENERATOR INSTALLATIONS STEMMED FROM THE FACT THAT THE SAG'S RESPONSIBILITIES IN SOME OF THE ABOVE AREAS WERE NOT CLEARLY SPELLED OUT.)

C. BEING A PARTY TO THE CONTRACTS AND BECOMING INVOLVED IN THEIR ADMINISTRATION, WILL HELP DEVELOP CONTRACTING EXPERTISE WITHIN THE RESPONSIBLE AGENCY, WHICH IS A VALID OBJECTIVE IN ITSELF.
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2. IN BOTH VOTRAKON AND HYDROS, THE SAUDIS WILL SIGN THE CONSTRUCTION CONTRACTS AND, UNLESS THERE IS A DECISION TO THE CONTRARY, THE CONSTRUCTION WORK WILL BE LET THROUGH INTERNATIONAL TENDER. THIS IS CLEARLY THE APPROACH WE WOULD PREFER BE USED IN THE CONSTRUCTION EFFORTS TO BE UNDERTAKEN IN FININFO AND KINAPARK, AND IN ANY FUTURE COMMISSION PROJECTS.

3. FYI. IN FEBRUARY 22 CONVERSATION WITH BOWDEN, DR. ALTURKI AGREED TO MFNE DIRECT CONTRACT WITH BUILDER FOR FININFO CONSTRUCTION. HE ALSO INDICATED SAG IN GENERAL WOULD DO OWN CONTRACTING WITH BUILDERS IF THAT WAS OUR PREFERENCE.

4. PLEASE DISCUSS THIS AS POLICY ISSUE WITH DR. ALTURKI AND OTHER RELEVANT PARTIES AND LET US KNOW REACTION. VANCE

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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: CONSTRUCTION CONTRACTING
TAGS: EAID, BENC, SA
To: JIDDA
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